

## Message Text

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71

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 CIEP-02 COME-00 EB-11 OMB-01 TRSE-00 DRC-01

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FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 8334

INFO AMEMBASSY BONN

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USMISSION EC BRUSSELS UNN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

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AMEMBASSY LUXEMBOURG

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AMEMBASSY THE HAGUE

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E.O. 11652: NA

TAGS: PINT, ECON, DA

SUBJ: PRICE AND PROFIT STOP ADOPTED BY PARLIAMENT

REF: COPENHAGEN 0021 AND 0081

SUMMARY: MODERATE LIBERAL GOVERNMENT'S BILL ESTABLISHING  
TEMPORARY PRICE AND PROFIT FREEZE WAS APPROVED BY  
PARLIAMENT JAN 15. THIS SHORT-TERM, TRANSITIONAL  
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MEASURE ASSURES GOVERNMENT FIVE WEEK BREATHING SPACE

DURING WHICH TO WIN SUPPORT FOR ITS MORE CONTROVERSIAL LONGER RANGE PROGRAM. GOVERNMENT'S LEVERAGE IN ATTEMPTING TO FORCE THESE MEASURES THROUGH HOSTILE PARLIAMENT DEPENDS ENTIRELY UPON ITS ABILITY TO CALL UNWANTED NEW ELECTION. OPPOSITION PARTIES ARE RESISTING THIS PRESSURE TACTIC BUT NEW PARLIAMENT IS ALREADY TAKING ON ATMOSPHERE OF PRE-ELECTORAL MANEUVERING. END SUMMARY.

1. GOVERNMENT'S TEMPORARY PRICE AND PROFIT FREEZE BILL WAS ADOPTED JANUARY 15 (MODERATE LIBERALS, RADICAL LIBERALS, CONSERVATIVES, SOCIAL DEMOCRATS, SOCIALIST PEOPLES PARTY, CENTER DEMOCRATS AND CHRISTIANS IN FAVOR; PROGRESSIVES AND JUSTICE PARTY OPPOSED; COMMUNIST AND TWO GREENLAND MEMBERS ABSTAINING.) ALSO PASSED WAS SOCIAL DEMOCRATIC AMENDMENT, MOVING UP EXPIRATION DATE FROM MARCH 1 TO FEB 23. BEFORE FEBRUARY 23, THEREFORE, GOVERNMENT MUST PUSH THROUGH ITS PLAN FOR SAVINGS IN PUBLIC EXPENDITURES AND PLAN FOR REPLACING PRIVATE-SECTOR WAGE INCREASES WITH SOME LESS INFLATIONARY FORM OF COMPENSATION.

2. BOTH DRAFT BILLS HAVE BEEN INTRODUCED TO PARLIAMENT, WHERE THEY RECEIVED ADVERSE INITIAL REACTION ON FIRST READING. SAVINGS PLAN CALLS FOR 2.9 BILLION KRONER (425 MILLION DOLLARS) REDUCTION IN BUDGET SUBMITTED BY PREVIOUS SOCIAL DEMOCRATIC GOVERNMENT, WHICH ALREADY INCORPORATED THREE BILLION KRONER SAVINGS AGREED UPON DURING FALL NEGOTIATIONS. PRIMARY REDUCTIONS HIT SOCIAL WELFARE AND EDUCATION MINISTRIES, WHERE GOVERNMENT PROPOSES TO SAVE 571 MILLION KRONER AND 608 MILLION KRONER RESPECTIVELY BY SHIFTING STUDENT SUBSIDIES FROM GRANT TO LOAN BASIS AND BY TERMINATING CHILD SUBSIDIES AT AGE 16 INSTEAD OF AGE 18.

3. GOVERNMENT'S PROPOSAL ON PRIVATE SECTOR WAGE INCREASES CALLS FOR FLAT, TAX-FREE PAYMENT TO ALL WAGE EARNERS OF 1000 KRONER (160 DOLLARS) FROM PUBLIC REVENUES, PAYABLE IN TEN MONTHLY INSTALLMENTS, INSTEAD OF THREE WAGE INCREMENTS, DUE MARCH 1 UNDER COST-OF-LIMITED OFFICIAL USE

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LIVING ESCALATOR SYSTEM. DURING DEBATE, RADICAL LIBERAL LEADER HILMAR BAUNSGAARD PROPOSED ALTERNATIVE PLAN, CALLING FOR EMPLOYERS TO PAY ONLY THE AFTER-TAX PORTION OF THE THREE WAGE INCREMENTS, WITH COMPANIES TO RETAIN THE REMAINDER IN ORDER TO OFFSET INFLATIONARY EFFECT OF INCREASED WAGE PAYMENTS. SOCIAL DEMOCRATIC PARTY HAS REJECTED BAUNSGAARD'S PROPOSAL AS ADMINISTRATIVELY IMPOSSIBLE AND HAS PROMISED TO INTRODUCE ITS OWN IN

NEAR FUTURE.

4. COMMENT: OPPOSITION PARTIES ARE NOW CLEARLY AWARE THAT PRIMIN HARTLING'S TACTIC IS TO FORCE THEM EITHER TO ACCEPT MODERATE LIBERAL PROGRAM OR FACE NEW ELECTIONS. THEY ARE TRYING, CONSEQUENTLY, TO AVOID BEING CAST IN PURELY OBSTURCTIONIST ROLE BY PROPOSING OTHER MEASURES, MORE "SOCIALLY QUITABLE" OR MORE "ADMINISTRATIVELY FEASIBLE" THAN GOVERNMENT'S PROPOSALS. IF THEY SUCCEED, HARTLING GOVERNMENT MAY ITSELF BE FACED WITH DIFFICULT CHOICE: TO CONTINUE IN POWER AS MERE "ADMINISTRATOR" OF LOWEST COMMON DENOMINATOR PROGRAM DRAWN FROM ALL OLD-LINE PARTIES IN PARLIAMENT, OR TO INSIST ON ITS OWN PROGRAM, THEREBY PRECIPITATING NEW ELECTION THIS SPRING.  
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## Message Attributes

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